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Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 ADP-00 L-03 CIAE-00 INR-10 NSAE-00

RSC-01 JUSE-00 COME-00 SEC-03 TRSE-00 PA-03 PRS-01

RSR-01 /059 W
---------- 002698
R 221750 Z MAY 73
FM AMEMBASSY ROME
TO SECSTATE WASHDC 8902
INFO AMCONSUL MILAN

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E. O. 11652: N/ A
TAGS: ETRD, IT
SUBJECT: ANTITRUST CASE U. S. VS. IBM

REF: STATE 69913

1. FOLLOWING INFORMATION WHICH OBTAINED INFORMALLY, PRIMARILY BY CONGEN MILAN, IN RESPONSE QUESTIONS POSED REFTEL IS BASED ON PUBLIC SOURCES AND MAY BE MADE PART OF PUBLIC RECORD IN U. S. FOLLOWING PARAS REFER TO QUESTIONS IN NUMBERED PARAS OF REFTEL.

2. (A) IBM ITALIA ORGANIZED AS NORMAL ITALIAN COMPANY (S. P. A.) WITH NINETY THOUSAND (90) OUTSTANDING SHARES, ALL BELIEVED OWNED BY IBM WORLD TRADE CORP. COMPANY THUS DOMICILED ITALY, WITH NO KNOWN MINORITY SHAREHOLDERS.
(B) CAPITALIZATION 1971 LIRA 27 BILLION, 1972 BILLINGS LIRA 243.8 BILLION, EXPORTS LIRA 60.9 BILLON.
(C) IN 1972, IBM ITALIA EMPLOYED 7 THOUSAND PIOPLE, COVERING TWO MANUFACTURING PLANTS (VIMERCATE AND POMEZIA); 58 BRANCHES AND OFFICES; 10 SERVICE CENTERS; 3 INSTRUCTION CENTERS (PLUS ONE UNDER CONSTRUCTION); 6 PERIPHERAL INSTRUCTION CENTERS; AND 3 RESEARCH CENTERS. PLANT AT POMEZIA OPENED 1970 MANUFACTURES CARDS; VIMERCATE MAJOR PRODUCTION FACILITY OPENED 1966. VIMER-CATE 50,000 SQUARE METER PLANT EMPLOYS 1800; PRODUCING: IBM
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SYSTEM 370, MODEL 125; IBM SYSTEM 360, MODEL 22; PERIPHERAL UNITS FOR SYSTEM 370, SYSTEM 360 AND SYSTEM3; AND COMPUTER TERMINALS FOR TIME- SHARING.. EIGHTY- SEVEN PERCENT OF PRODUCTION EXPORTED TO 55 COUNTRIES WITH 1972 VALUE OF 60.9 BILLION LIRA. IBM RESEARCH MANAGED FROM ROME WITH INDIVIDUAL CENTER LOCATED (1) PISA, WITH 23 EMPLOYEES, PROJECTS INCLUDE FLOOD CYCLES FOR ARNO RIVER, FLOOD FORECASTING, ECONOMETRIC MODELLING, ITALIAN MACHINE LANGUAGE; (2) BARI, EMPLOYING 8 PEOPLE, PROJECTS: MACHINE LANGUAGES FOR TEACHING, PHYSICS LABORATORY SIMULATION, TEACHING OF ELEMENTARY CINEMATOGRAPHIC TECHNIQUES VIA COMPUTER SIMU- LATION; AND (3) VENICE, EMPLOYING 11 PERSONS, PROJECTS CONCERNING VENETIAN LAGOON INCLUDING DIFFUSION IN SUBTERRANEAN AQUIFERS, SOIL SUBSIDENCE, MATHEMATICAL MODELS OF THE LAGOON AND OF STORM CYCLES IN THE ADRIATIC, AIR POLLUTION.
(D) IBM ITALIA BOARD OF DIRECTORS (1971) IS AS FOLLOWS:
PRESIDENT, GIULIO VUCCINO (SEMI- RETIRED); MANAGING DIRECTOR, LUDOVICO BIRAGHI LOSSETTI; DIRECTORS: ANTONIO CACCIAVILLANI; LUIGI CASTALDI, ALBERTO FERRARI, LIBERO LENTI, ETTORE LOLLI, DANILO SORTOGO, GORDON RAY WILLIAMSON. ALL ITALIAN CITIZENS, EXCEPT WILLIAMSON, ARE WELL- CONNECTED ITALIAN BUSINESS AND FINANCIAL CIRCLES; FOR INSTANCE, LENTI IS NOTED ECONOMIST, PROFESSOR, ECONOMIC ADVISER TO SNIA VISCOSA; LOLLI, BANKER AND DIRECTOR LARGE INSURANCE COMPANY.

3. JANUARY 1973 ISSUE OF ITALIAN MAGAZINE " SUCCESSO" HAS ARTICLE ENTITLED " ITALY' S DILEMMAS: ELECTRONICS; COPYCATS... AND TARDY ONES TO BOOT" WHICH GIVES GOOD PICTURE ITALIAN ELECTRONICS INDUSTRY. ARTICLE GIVES FOLLOWING ESTIMATES ITALIAN COMPUTER MARKET: IBM 56 PERCENT, HONEYWELL 32 PERCENT, UNIVAC 8 PERCENT, AND SIEMENS 3 PERCENT.

4. FOLLOWING FOREIGN TRADE STATISTICS COVER COMPUTERS, PERIPHERAL EQUIPMENT, ACCESSORIES AND SPARE PARTS. DATA ARE EXPRESSED IN MILLIONS OF LIRE:

A) IMPORTS 1968 1969 1970 1971 1972
W. GERMANY 10,071 12,658 22,896 26,682 37,556
FRANCE 19,375 21,164 25,056 22,707 26,409
US 11,691 12,652 78,198 17,247 25,054
UK 4,638 8,826 9,467 13,515 13,811
SWEDED 1,277 - - 3,364 205
TOTALS 52,366 60,877 82,348 87,224 116,105

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B) EXPORTS 1968 1969 1970 1971 1972
W. GERMANY 15,164 15,643 21,888 23,268 20,231
FRANCE 10,086 12,785 20,367 18,227 15,416
US 3,643 3,022 3,961 845 51
UK 3,606 2,781 3,577 2,505 4,247
NETH 861 1,447 1,149 - 2,431
USSR 998 2,581 - 1,044 -

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SPAIN 59 898 - - 3,179
YUGO - - - - 1,574
JAPAN - - 114 - 2,682
TOTALS 48,996 54,757 80,245 78,590 73,949
NOTE: TOTAL ITALIAN EXPORTS IN 1972 OF 73.9 BILLION LIRE MAYBE
COMPARED WITH REPORTED IBM ITALIA EXPORTS OF 60.9 BILLION.

IMPORTS INTO ITALY FROM OUTSIDE EC ARE SUBJECT TO NORMAL CXT RATE;
WE KNOW OF NO SPECIFIEC NON- TARIFF BARRIERS.

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ACTION EB-11

INFO OCT-01 EUR-25 ADP-00 L-03 CIAE-00 INR-10 NSAE-00

RSC-01 JUSE-00 COME-00 SEC-03 TRSE-00 PA-03 PRS-01

RSR-01 /059 W
---------- 002809
R 221750 Z MAY 73
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THERE ARE NO SPECIAL ITALIAN GOVERNMENT POLICIES FOR THE COM-
PUTER INDUSTRY. PROCUREMENT POLICIES TEND TO FAVOR PRODUCTS
PRODUCED IN ITALY, BUT NO SPECIFIED PREFERENCE PERCENTAGE IS GIVEN
TO PRODUCTS OF ITALIAN- OWNED ENTERPRISES. THE NATIONAL PLANNING
STUDY OFFICE HAS DONE SOME WORK ON STUDYING WHAT ITALY SHOULD BE
DOING IN THE COMPUTER/ ELECTRONICS FIELDS BUT LITTLE RESULTS HAVE
YET MATERIALIZED. R AND D FUNDING BY THE GOVERNMENT HAS THUS
FAR BEEN LIMITED. SOME EFFORT HAS BEEN MADE TO CONSOLIDATE THE
STATE HELD ELECTRONICS AND COMPONENTS INTEREST IN STET, WHICH
ALSO HAS COLLABORATIVE INTERESTS WITH FIAT AND OLIVETTI. ITALY
WILL PROBABLY IN THE FUTURE CONTINUE TO SUPPORT THOSE COMPUTER
FIELDS-- PARTICULARLY SMALL AND MEDIUM TYPES -- WHERE ITALIAN
FIRMS ARE ALREADY INTERNATIONALLY COMPETITIVE AND HAVE SPECIALIZED
TO DATE.

6. THERE HAVE BEEN NO KNOWN LOCAL REACTIONS TO THE US ANTITRUST
CASE AGAINST IBM NOR HAS THE CASE HAD ANY APPARENT EFFECT ON
ITALIAN GOVERNMENT POLICIES CONCERNING COMPUTERS. ITALY HAS NO

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EFFECTIVE NATIONAL ANTI- TRUST LEGISLATION OR POLICY. INSTEAD, FORMAL OR INFORMAL TRADE AND INDUSTRY ASSOCIATIONS, PRICE FIXING, AND INTER- LOCKING DIRECTORATES ARE COMMON. ITALY MAY WELL MOVE IN COMPUTER FIELD TOWARD MORE CONCENTRATION OF EFFORT.

7. BREAK- UP OF IBM INTO SEVERAL BROAD- LINE COMPANIES MIGHT EN-
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COURAGE EFFORTS TO DEVELOP A STRONGER EUROPEAN COMPUTER INDUSTRY,
AND WOULD ALSO INHIBIT THE MANY ITALIAN POTENTIAL CUSTOMERS WHO SEEK A PACKAGE ARRANGEMENT WHEN INVESTING IN A COMPUTER SYSTEM, I. E., THEY PREFER TO PURCHASE HARDWARE AND ASSOCIATED SOFTWARE, TRAINING, ETC., FROM THE SAME INTEGRATED SALES AND SERVICE FIRM. SHOULD ALSO BE NOTED THAT RELATIVE IBM POSITION IN ITALY SEEMS ALREADY TO HAVE SLIPPED OVER LAST DECADE IN PART OWING TO STRENGTH OF HONEYWELL AND UNIVAC. ACCORDING TO 1965 OLIVER- BECKMAN ITALIANA STUDY OF ITALIAN DATA PROCESSING AND ELECTRONIC COMPUTER INDUSTRY PREPARED FOR U. S. DEPARTMENT OF COMMERCE, IBM THEN HAD 72 PERCENT OF MARKET COMPARED WITH 56 PERCENT NOW. ALSO OF INTEREST MAY BE JANUARY 1973 REPORT ON ITALIAN MARKET FOR COMPUTERS AND RELATED EQUIPMENT BY IDC EUROPA LTD PREPARED FOR DEPT OF COMMERCE.

8. SEE PARA 6 ABOVE. VOLPE

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